



# MARYLAND STATE & D.C. AFL-CIO

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**SB 938 – Hospitals - Changes in Status - Hospital Employee Retraining and Placement**  
**Senate Finance Committee**  
**March 5, 2020**

**SUPPORT**

**Donna S. Edwards**  
**President**  
**Maryland State and DC AFL-CIO**

Madam Chair and members of the Committee, thank you for the opportunity to testify in support of SB 938 – Hospitals - Changes in Status - Hospital Employee Retraining and Placement. My name is Donna S. Edwards and I am the President of the Maryland State and District of Columbia AFL-CIO. On behalf of the 340,000 union members I offer the following comments in support of SB 938.

The Health Care industry in Maryland represents a significant portion of our economy, employing tens of thousands of Marylanders. When hospitals close or merge, it impacts the livelihoods of the employees who lose their jobs, and the local economies. For this reason, the General Assembly established the “Hospital Employees Retraining Program” Fund in 1985 to assist laid off medical employees with retraining and placement in new jobs in the medical industry. The Fund is paid into by hospitals at the rate of 0.01% of the gross operating revenue for the year preceding their closing or de-licensing.

With the changing nature of the health care industry in Maryland, the law has not kept pace, leaving thousands of workers without options following layoffs. Currently, hospitals are only required to pay into the Fund in the cases of “closure, merger, or de-licensure”, but the most common transformations for hospitals right now is the conversion to freestanding medical facilities, or “downsizing”. These are most common in rural areas of the State, where employment can be more challenging, and SB 938 adds downsizing to the list of allowable uses of HERP funding.

SB 938 also corrects the lack of funding for retraining and placement by requiring all hospitals to pay into the HERP Fund, on an annual basis. Instead of hospitals that are closing paying a rate of 0.01% of gross operating revenue at one time, all Maryland hospitals will pay a reduced rate of 0.006% of gross operating revenue, annually. At the rate of 6/1000<sup>th</sup> of operating revenue, the fee paid in will have little effect on the facility’s operation but will provide much needed retraining and transition money for the employees affected by changes in hospital operations throughout the State. Requiring all hospitals to make these investments in retraining and transition is the right thing to do. It cannot be argued, credibly, that hospitals cannot afford to do this, especially when some hospital CEOs make over half a million dollars per year. However, it would mean a world of difference for recently laid off hospital employees,

and it would get more people back to work in a quicker fashion, which is in the best interests of our State, our communities, and our economy.

SB 938 addresses any periods of time when HERP funds are depleted, by empowering the Health Services Cost Review Commission (HSCRC) to set additional fees for hospitals, in order to keep the retraining fund solvent. This extra measure is necessary if Maryland faces an issue of large-scale changes in our health care system through downsizing, closures, or consolidation of facilities spurred by cost-saving measures of Maryland's hospitals.

SB 938 also requires detailed reporting on the Fund, as well as hospital participation and information on retraining of employees each year. These reports will be submitted to both the Senate Finance and House Health and Government Operations Committees, allowing Maryland policy makers to judge the efficacy of the program and allow them to make informed decisions moving forward on any changes that would need to be made to better protect workers and to support Maryland's hospitals.

At a cost of 6 cents for every \$1,000 that hospitals receive in revenue, SB 938 will help struggling workers who are suddenly facing unemployment through no fault of their own, and it will have no effect on the operations of our hospitals in Maryland.

**For these reasons, we urge a favorable report on SB 938.**